

460.0000 FULL CASH VALUE

*See Assessed Value
Value*

460.0001 Determination by Assessment Appeals Board. Insofar as Property Tax Rule 324 requires an assessment appeals board to determine "full cash value", the board is bound by the definition of "full cash value" in section 2(a) of article XIII A of the California Constitution. Thus, absent a change in ownership or any new construction on or after March 1, 1975, the full cash value of real property is that value as defined in Revenue and Taxation Code section 110, as of March 1, 1975, adjusted annually by the inflation factor. C 10/14/81.

460.0005 Energy Tax Credit. While there are some differences between the California energy tax credit and the federal investment tax credit, the reasoning in *May Department Stores v. Los Angeles County* (1987) 196 Cal.App.3d 755, is equally applicable to both types of credits, i.e., the full cash value of property should be determined without consideration being given to either. C 8/3/89.

460.0010 Equipment Leased To Federal Instrumentalities. The legal incidence of sales tax upon equipment leased to federal instrumentalities is upon such instrumentalities and therefore, violates the government's immunity from state taxation (*United States v. California State Board of Equalization*, 650 F.2d 1127, and *California State Board of Equalization v. United States*, 456 U.S. 901). Thus, sales tax is not a part of the normal replacement cost of equipment leased to a federal instrumentality, and the fair market value of such equipment should not include a component for sales tax. LTA 10/1/82 (No. 82/112).

460.0014 Inherited Property. While no negotiations occur at the time a property transfers by inheritance, the value of the property must be established at the amount it would sell for in an arms length transaction involving knowledgeable parties neither of which could take advantage of the exigencies of the other. In valuing such property by the income approach to value, Property Tax Rule 8(d) is applicable, and noneconomic rents payable under existing leases are to be ignored. A valuation of property based on contract rent which is below economic rent reflects only the lessor's interest and does not include the bonus value of the leasehold interest. *Dennis v. Santa Clara County*, 215 Cal.App.3d 1019.

The existence of a lease that generates non-economic rent does not constitute damage, destruction or other factors causing a decline in value under Revenue and Taxation Code section 51(b). C 12/2/93.

460.0015 Investment Tax Credit. Full cash value of property is to be determined without consideration being given to any investment tax credit which might be available as the result of a taxpayer's purchase of the property. Such credit is simply a reduction of federal income tax liability, not a purchase discount or rebate offered by a seller as the result of "market" considerations. LTA 2/18/83 (No. 83/21).

460.0020 Land Sold By City. Full cash value of land sold by a city to a corporation for specified development is to be determined without consideration being given to the fact that ownership of the land will revert to the city if the development is not completed within an agreed-upon time frame. Revenue and Taxation Code section 402.1, which pertains to land use restrictions, not to contingencies which might affect ownership of land, is inapplicable. C 3/12/85.

460.0022 Liquidated Damages. Liquidated damages are not part of the consideration paid for a property, and a provision for liquidated damages in a purchase agreement does not result

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in a discount from the property's purchase price. Rather, liquidated damages represent a contractually agreed-upon amount stipulated as a reasonable estimation of actual damages to be recovered by one party if the other party breaches the agreement. Thus, the full cash value or fair market value of a property does not change depending on whether a liquidation damages provision is invoked. C 12/3/2001.

460.0025 Oil and Gas Leases in Tax Exempt Properties. Revenue and Taxation Code sections 107.2 and 107.3 and subdivision (b) of Property Tax Rule 27 apply to the valuation of oil and gas possessory interests created on or before July 26, 1963, and extended or renewed after that date pursuant to Public Resources Code section 6827, which prohibits a reduction of the royalty rate. Public Resources Code section 6827.2, which authorizes the State Lands Commission to renegotiate the lease including the royalty rate if continued production is economically unfeasible under the terms of the lease, is not applicable since that section was enacted after the lease was last extended or renewed and, even if it had been in effect, there is no indication that an increase in assessed value would result in a finding by the Commission that continued economic production would be economically unfeasible. C 7/21/92.

460.0030 Tax Sale Appraisal. The fair market value of property as of the date of its sale is to be used for assessment purposes, not the Revenue and Taxation Code section 3698.5 value calculated to determine the minimum price for the property at a tax sale. C 3/29/83.

460.0031 Tax Sales. The presumptions of full cash value under Revenue and Taxation Code section 110 do not apply to execution and/or foreclosure sales since these are forced sales and thus considered "non-market" transactions. Property Tax Rule 4(b) requires that existing debt encumbering a property, including delinquent payments on Mello-Roos bonds, be added to the stated purchase price in order to arrive at the actual consideration paid. C 3/26/99.